

**Part 2A of Form ADV: Firm Brochure**

**Item 1. Cover Page**

**Yorkville Advisors, LLC**

101 Hudson Street, Suite 3700  
Jersey City, New Jersey 07302

Phone: 201.985.8300

Facsimile: 201.985.1890

[www.yorkvilleadvisors.com](http://www.yorkvilleadvisors.com)

June 13, 2012

This brochure provides information about the qualifications and business practices of Yorkville Advisors, LLC. If you have any questions about the contents of this brochure, please contact us at (201) 985.8300 or [info@yorkvilleadvisors.com](mailto:info@yorkvilleadvisors.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority. Additional information about Yorkville Advisors, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

**Item 2. Material Changes**

Since its initial filing on February 13, 2012, the Firm has received notices from the SEC and the Italian CONSOB which requires discloses in Item #9 of the Firm's Form ADV Part 2.

**Item 3. Table of Contents**

Item 1.	Cover Page .....	1
Item 2.	Material Changes .....	2
Item 3.	Table of Contents.....	3
Item 4.	Advisory Business .....	4
Item 5.	Fees and Compensation .....	5
Item 6.	Performance-Based Fees and Side-By-Side Management .....	6
Item 7.	Types of Clients .....	7
Item 8.	Methods of Analysis, Investment Strategies and Risk of Loss.....	7
Item 9.	Disciplinary Information .....	17
Item 10.	Other Financial Industry Activities and Affiliations.....	18
Item 11.	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	19
Item 12.	Brokerage Practices .....	20
Item 13.	Review of Accounts.....	20
Item 14.	Client Referrals and Other Compensation.....	21
Item 15.	Custody .....	21
Item 16.	Investment Discretion .....	21
Item 17.	Voting Client Securities .....	21
Item 18.	Financial Information.....	21
Item 19.	Requirements of State-Registered Advisers.....	21

#### **Item 4. Advisory Business**

##### **A. Description of advisory firm, including how long it has been in business. Identity of principal owner.**

General Information. Our firm, Yorkville Advisors, LLC, provides advisory services to pooled investment vehicles which we refer to as our clients. Our clients are exempt from registration under the Investment Company Act of 1940, as amended (the 1940 Act) and their securities are not registered under the Securities Act of 1933, as amended (the Securities Act). We were formed in December 2000 as a Delaware limited liability company. Our principal office is in Jersey City, New Jersey. We also maintain offices in Denver, Colorado and Palm Beach Gardens, Florida and through sub-advisory relationships with Yorkville Advisors UK, LLP and Yorkville Advisors HK Limited, our non-U.S. based affiliated entities, we maintain offices in London, England and Hong Kong. Our firm has one principal owner, Mark Angelo, who holds more than 25% of our firm. Mr. Angelo serves as our President and Portfolio Manager.

We currently have two clients: (i) YA Global Investments, L.P., a Cayman Islands exempted limited partnership, and (ii) YA Global Investments II, Ltd., a Cayman Islands exempted limited company. Our clients are “master” funds in a “master-feeder” fund structure. Under this structure, our clients’ feeder funds raise capital from investors and then invest this capital in our clients, either directly or through an intermediate fund. The master funds then use this capital to make investments in accordance with their respective investment objectives. Our firm formed the master funds and the feeder funds, and designed their investment objectives.

YA Global Investments, L.P. has two feeder funds: (i) YA Global Investments (U.S.), LP, a Delaware limited partnership, and (ii) YA Offshore Global Investments, Ltd., a Cayman Islands exempted limited company.

YA Global Investments II, Ltd. has one intermediate fund and two feeder funds. The intermediate fund is YA Global Investments II Intermediate Fund, Ltd., a Cayman Islands exempted limited company. The two feeder funds are: (i) YA Global Investments II (U.S.), LP, a Delaware limited partnership, and (ii) YA Offshore Global Investments II, Ltd., a Cayman Islands exempted limited company.

Our clients may wholly or partially own private investment vehicles which are formed to invest in or hold investments in companies when a direct investment by our client would have unfavorable tax consequences or when more than one client is participating in a single investment. Our firm will provide advisory services to each private investment vehicle.

##### **B. Description of types of advisory service we offer.**

Our firm is an investment advisor. We provide advisory services to our clients pursuant to separate investment and advisory agreements (each, an Advisory Agreement). As an investment advisor we provide discretionary and administrative services in order to assist our clients in implementing their investment objectives. We formed each of our clients with broad investment objectives which emphasize capital appreciation, rather than current yield. On behalf of our clients, we raise capital from investors and manage this capital in accordance with our client’s investment objectives. There are no restrictions on the types of securities in which we may invest on behalf of our clients. We are paid for our services.

##### **C. Explanation of whether (and, if so, how) we tailor our advisory services to the individual needs of clients.**

At this time, we do not tailor our advisory services to the individual needs of our clients and our clients do not control the investments we make on their behalf.

##### **D. Participation in wrap fee programs.**

Presently, our firm does not participate in wrap fee programs.

**E. Amount of client assets we manage on a discretionary and non-discretionary basis.**

As of December 31, 2011, our firm managed client assets of approximately \$304.2 million. All of these assets are managed on a discretionary basis.

**Item 5. Fees and Compensation**

**A. Description of how we are compensated for our advisory services.**

As compensation for the investment advisory services rendered to our clients, we receive from our clients' feeder funds annual advisory fees of up to 2.0% of assets under management payable monthly in advance. The actual advisory fees we charge are set forth in the terms of the class of interests (partnership interests or shares) held by investors in our clients' feeder funds.

Officers, directors and employees of our firm that elect to invest in a clients' feeder fund do not pay advisory fees.

We grant and may continue to grant certain investors in our clients' feeder funds preferential rights with respect to various matters, including the right to most favorable economic terms for their investments, differing management and performance-based fees, notice of certain events or changes in policies or practices, increased periodic reporting, and more favorable withdrawal or redemption rights. These preferential rights may be set forth in the terms of a class of interests or may be negotiated and granted on a case-by-case basis.

**B. Description of how fees are collected from clients.**

Advisory fees are deducted directly from client assets. Neither our clients nor investors in our clients' feeder funds have any discretion on the method of deduction.

**C. Description of other fees or expenses our clients may incur.**

Each client and its feeder funds is responsible for paying its offering, operating and certain overhead costs and expenses, including the following, some of which may relate to costs associated with unexecuted transactions:

- costs and expenses incurred in offering and selling interests in the feeder funds (other than those paid by our firm),
- costs and expenses incurred in the documentation of performance and the admission of investors,
- costs and expenses incurred in communications with investors,
- all operating expenses such as tax preparation fees, governmental fees and taxes, administrative fees, and ongoing legal, accounting, auditing, bookkeeping and other professional fees and expenses,
- costs and expenses incurred in preparation and filing of regulatory applications relating to the control of an issuer,
- costs in connection with proxy contests or to protect or preserve any investment held by a client,
- costs related to investments in and through private investment vehicles,
- non-advisory fees that we may charge certain privately held companies in which our clients invest,
- all costs and expenses incurred in connection with the investigation, prosecution or defense of any claims by or against a client or a clients' feeder fund, and

- all trading costs and expenses including brokerage commissions, margin interest, expenses related to custodial fees and clearing and settlement charges. See *Item 12* of this Brochure for a further discussion of brokerage practices.

In connection with our clients making investments in and providing financing to companies, which we refer to as portfolio companies, our firm and its affiliates receive fees for the costs of evaluating a proposed investment in a portfolio company, providing, or engaging third parties to provide, legal, accounting or other professional services necessary to permit our clients to enter into transactions and monitoring and managing our clients' investments. Such fees may be paid by the portfolio companies in cash, common stock, or non-cash compensation, such as warrants, issued by the portfolio companies. Our firm receives the cash portion of these fees and our clients receive the non cash portion of these fees. Such fees may be significant and may exceed the advisory fees we receive.

Fees received from portfolio companies may exceed operating and certain overhead expenses of the firm. As further described in the applicable clients' feeder funds' offering memorandum and documented in audited financial statements, we may, but are under no obligation to reduce the advisory fees we receive from our clients if the cash fees we receive from portfolio companies exceed these expenses. We have no present intention to reduce the advisory fees we accept from our clients.

#### **D. Prepayment of Fees.**

Our advisory fees are paid monthly in advance. This means that on or about the first day of each month, each of our clients' feeder funds will pay us 1/12<sup>th</sup> of the annual advisory fee which is estimated based on the net asset value of each class of interests on the last day of the month immediately preceding the date on which the advisory fee is calculated.

Adjustments to the advisory fees received by our firm during each year are made after completion of applicable annual audits and upon termination of an advisory agreement, appropriate treatment will be given to all advisory fees collected in advance.

#### **E. Compensation for the sale of securities or other investment products.**

Neither our firm nor any of its employees accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

### **Item 6. Performance-Based Fees and Side-By-Side Management**

Our clients' feeder funds pay an annual performance-based allocation or fee of up to 20.0% of the capital appreciation, if any, on assets under management. These allocations or fees are paid to us or Yorkville Advisors GP, LLC (YAGP), an affiliated entity that serves as the general partner to our clients and their feeder funds that are structured as limited partnerships and are subject to a "high-water mark," meaning that no client is obligated to pay a performance-based allocation or fee until such client recoups any net losses incurred in a prior period.

Officers, directors and employees of our firm that elect to invest in our clients' feeder funds do not pay any performance-based fees.

We endeavor to treat all of our clients' fairly and equally; however, performance based fees may create an incentive for us to make investments that are riskier or more speculative than would be the case in the absence of such fees because we benefit from such fees if the value of our clients' assets under management appreciates. In addition, such fees may create an incentive for us to favor clients charged a higher performance-based fee over clients charged a lower performance-based fee.

Our clients' feeder funds offering memoranda sets forth detailed information on performance-based allocations and fees.

## Item 7. Types of Clients

Our clients are pooled investment vehicles and are “master” funds in a “master-feeder” fund structure. See *Item 4(a)* of this Brochure for a description of our clients. Investors in our clients’ feeder funds may consist of high net worth individuals, family offices, investment funds, fund of funds, investment companies, pension and profit sharing plans, trusts, estates, charitable organizations, corporations, business entities, endowments, and foreign sovereign wealth funds.

Our clients’ feeder funds generally set a minimum initial investment of \$1.0 million, but we may waive such requirement.

More information on the qualifications necessary to invest in our clients’ feeder funds is set forth in each clients’ feeder funds’ offering memoranda.

## Item 8. Methods of Analysis, Investment Strategies and Risk of Loss

### A. Description of the methods of analysis and investment strategies we uses in formulating investment advice or managing assets.

The following is a general description of our methods of analysis and the investment strategies that we advise our clients to follow, the principal types of financial structures we may advise our clients to offer and the types of companies to whom they are offered and the principal types of securities we may advise our clients to invest in. An investor should not assume that this description of investment activities is intended in any way to limit the types of investment activities which we may undertake on behalf of our clients. **The following strategies and activities used by our clients are not exclusive and should not be understood as in any way limiting the methods of analysis we use or the strategies and activities we advise our clients to implement. The investment strategies and activities by which we seek to accomplish our clients’ objectives may be changed without notice to or the consent of our clients or the investors holding interests in a feeder fund. Our clients may engage in strategies and activities not described herein that our firm considers appropriate.**

Our investment objective is to seek superior risk adjusted returns for our clients. However, there can be no assurance that this investment objective will be achieved or that an investor will realize any return on its investment. An investment in our clients’ feeder funds is speculative and includes substantial risks including the possibility of a significant or complete loss of investment, which investors in our clients’ feeder funds should be prepared to bear. Investors should not consider an investment in our clients’ feeder funds to be a complete investment program. **An investor could lose its entire investment.**

The investment strategies and particular investments we advise our clients to make may include leverage or concentrations of investments by country, sector, industry, capitalization, company or assets class. **The practices of leverage and limited diversification can, in certain circumstances, substantially increase the adverse impact to which our clients’ investment portfolio may be subject.**

### Investment Strategies

We have broad discretion in making investments on behalf of our clients; however, we are currently focused on providing unique alternative financing structures to public and private companies based on the following investment strategies:

- Investing in equity, equity-linked and debt instruments.
- Investing in U.S. and non-U.S. issuers.
- Investing without geographical limit, including emerging markets.
- Investing in forward contracts and other various derivative transactions and instruments to manage or hedge interest rates, currency exchange and other risks.

- Investing in money market, commercial paper, certificates of deposit and investment grade cash equivalents.

These investment strategies are designed to result in capital appreciation, rather than a current yield. As a result, any gains realized on prior investments are reinvested and not paid as dividends or distributions and investors in our clients' feeder funds should not expect a current yield.

### **Financing Structures**

The current financing structures we advise our clients to invest in are equity lines of credit, convertible and non-convertible debt instruments, preferred stock, common stock and warrants to purchase common stock. The investment strategies and financing structures we advise our clients to employ may change for business, competitive or regulatory reasons without notice to or consent from our clients or investors in our clients' feeder funds.

We advise our clients to offer these unique alternative financing structures worldwide, to companies in developed and emerging markets. Generally, these companies are small to mid-cap publicly traded companies with market capitalizations under \$500 million; however, our clients do offer these structures to larger public companies and to private companies.

a) *Equity Lines of Credit*. We may advise our clients to enter into equity lines of credit. We call our version of these financing structures Standby Equity Distribution Agreements or SEDAs. Our clients only enter into SEDAs with public companies, without geographical limitation. During the term of the SEDA, the issuer has the right, but no obligation, to require our clients to purchase the issuer's common stock in tranches at a discount to the then current market price. The size of each individual tranche and the aggregate size of the tranches is limited by the terms of the SEDA and the stock purchased by our clients is generally freely tradable in the public market in which the stock is quoted or listed.

b) *Debt Instruments*. We may advise our clients to invest in debt instruments, including debentures and promissory notes, directly from public and private companies. The type of debt instruments purchased generally accrue interest at a fixed rate, mature 12 or more months after issuance and may be secured or unsecured and convertible or non-convertible. Any collateral or other security obtained in connection with any secured debt instrument may or may not be adequate to ensure full repayment of the debt instrument and such debt instruments are usually not rated by an accredited rating agency (such as S&P or Moody's). In addition, the lack of an established, liquid secondary market for such debt securities may have an adverse effect on the market value of our clients' investments and on the ability to dispose of them.

c) *Warrants and Other Derivative Securities*. We may advise our clients to invest in warrants or other derivative securities from public and private companies. Warrants and other derivative securities may be purchased directly from issuers, however, they are generally received for no additional consideration in connection with a SEDA or the purchase of a debt instrument or equity security. These derivative securities may be exercised, converted or exchanged by our clients into equity securities of the issuer.

d) *Equity Securities*. We may advise our clients to purchase common or preferred stock or other equity securities directly from both public and private companies and our clients may receive common stock upon the conversion of convertible securities or exercise of derivative instruments. These equity securities may be of U.S. or non-U.S. companies that trade outside of the U.S., including in emerging markets. Some of these equity securities may be illiquid or restricted.

### **Other Securities, Cash and Cash Equivalents**

Our clients' investment structures take time to source, structure and negotiate. If our clients have funds that are not committed for another purpose, we may advise them to invest in short term investments



until an appropriate longer term investment may be sourced, structured and negotiated. These short term investments include shares of money market mutual funds, short term certificates of deposit, obligations of the U.S., any state thereof, and instrumentalities of any of them and similar short term instruments in non-U.S. countries. Investments in money market mutual funds or other similar short-term investments are not insured by the FDIC, and our clients may lose money from these investments.

We may advise our clients to manage and hedge risks associated with interests rates, currency exchange rates and other market risks by investing in U.S. or non-U.S., publicly traded or privately issued common stocks, preferred stocks, stock warrants and rights, sovereign debt, corporate debt, bonds, notes or other debentures or bank/private debt participations, convertible securities, swaps, options (purchased or written), futures contracts, commodities and other derivative instruments, partnership interests and other securities or financial instruments including those of investment companies. Our clients will not purchase, hold, sell or otherwise deal in commodities, commodity contracts, commodity futures, financial futures or options unless, to the extent required, the appropriate parties have registered with the Commodity Futures Trading Commission or determine to utilize an exemption from registration. Our clients may, to the extent legally permissible, utilize leverage for the purposes of enhancing portfolio returns and hedging risk.

**B. Material risks involved with our investment strategies.**

An investment in our clients' feeder funds based on our investment strategies is speculative in nature and suitable only for sophisticated investors who are aware of and able to bear the risks involved in such an investment. **The financial structures we advise our clients to offer and the investments we advise our clients to make may be volatile or illiquid and subject to a variety of risk factors that are inherently difficult to predict and which could affect their liquidity, profitability and stability.**

We may advise our clients to attempt to manage and hedge certain risks; however, no assurance can be made that we will correctly evaluate the nature and magnitude of the various factors that could affect the value of and return on investments made by our clients and no guarantee or representation is made that our clients' investment objectives will be achieved. In addition, efforts to manage and hedge risks associated with interest rates, currency exchange rates and general market risks through forward contracts, derivative transactions and the purchase of other derivative instruments are all subject to their own unique risks. There can be no assurance that the financial structures we advise our clients to offer, the investments we advise our clients to make and the hedging strategies we advise them to employ will be successful or that their investment objectives will be attained. **If our clients are not successful, an investor could lose its entire investment.**

In addition to the potential risk of loss, prospective investors should carefully consider and be prepared to bear all of the risks to making an investment in any of our clients' feeder funds including those discussed below, and should consult their own legal and financial advisors prior to making any investment. **The material risks set forth herein are not intended to be an exhaustive list of the risks involved in an investment in our clients' feeder funds.**

**General Economic and Market Risks.**

a) Non-U.S. Securities. We advise our clients to invest in securities and other instruments of certain non-U.S. corporations and countries, including those in emerging markets. We do not advise our clients to limit the extent to which they invest in such securities and other instruments of certain non-U.S. corporations and countries and at any time a substantial portion of our clients' assets could be comprised of such securities and other instruments. If our clients' investments are focused in one country or geographical region, that client's performance will be particularly vulnerable to events affecting companies in such region.

Investing in the securities of issuers and governments in emerging nations or countries with less

well regulated securities markets than the U.S. involves certain considerations not usually associated with investing in securities of U.S. companies or the U.S. Government, including among other things:

- political and economic considerations, such as greater risks of expropriation, nationalization and general social, political and economic instability;
- the small size of the securities markets in such countries and the low volume of trading, resulting in potential lack of liquidity and in price volatility;
- withholding or other taxes on interest, dividends, capital gains or other income or gross sale or disposition proceeds;
- fluctuations in the rate of exchange between currencies and costs associated with currency conversion;
- certain government policies that may restrict our firm's investment opportunities;
- less publicly available information; and,
- in most cases, less effective government regulation than is the case with securities markets in the U.S.

b) Non-U.S. Exchanges and Markets. We advise our clients to invest in securities that are traded on non-U.S. exchanges and markets, including emerging markets. Trading on non-U.S. exchanges may be conducted in such a manner that all participants are not afforded an equal opportunity to execute certain trades and may also be subject to a variety of political influences and the possibility of direct governmental interaction. If settlement procedures are unable to keep up with our clients' trading volume, it may limit the ability of our clients to conduct business on those exchanges and potentially expose our clients and investors in their feeder funds to potential losses.

c) Currency Exposure. Presently, a majority of our investments are made outside the U.S. and are denominated in currencies other than the U.S. dollar, such as the British pound, Euro, Israeli Shekel and Brazilian Real. As discussed below, our firm does not always hedge foreign currency exposure and any hedges we do engage in may not fully or perfectly protect our clients from foreign currency exposure. Therefore, the value of our investments made outside the U.S. and denominated in currencies other than the U.S. dollar may be affected favorably or unfavorably by fluctuations in currency rates and our clients must bear this risk and will have exposure to foreign currency.

Some of the countries in which we advise our clients to invest, such as Brazil, have currency controls. These are various forms of controls imposed by a government on the purchase or sale of foreign currencies. Currency controls take many forms, including prohibitions on U.S. denominated bank accounts, time limits and bank and government approvals on the repatriation of capital, and taxes on currency transactions. Such controls may increase the cost of making investments in countries with such controls, may increase the exposure to exchange rate risk, or delay or prevent the repatriation of capital.

d) Variable Market Conditions; Hedging Transactions. The success of the investment strategies we advise our clients to follow and the financing structures we advise our clients to offer is affected by general economic and market conditions including fluctuations in the securities markets and changes in interest rates and currency rates. We may, but generally do not, advise our clients to utilize financial instruments such as derivatives, options, interest rate swaps, caps and floors and forward contracts, both for investment purposes and for risk management or hedging purposes. To the extent that we do not advise our clients to engage in transactions for the purposes of hedging, they bear the risk of loss associated with variable market conditions including possible changes in the market value of its investment portfolio resulting from fluctuations in the securities markets and changes in interest rates and unrealized gains in the value of its investment portfolio.

To the extent that we do advise our clients to engage in transactions for the purposes of hedging,

our clients bear the risks associated with hedging including counterparty risk, illiquidity and, to the extent our firm's assessments of certain market movements is incorrect, the risk that the use of hedging could result in losses greater than if hedging had not been used. Since the characteristics of many securities change as markets change or time passes, the success of the hedging strategies will also be subject to our ability to continually recalculate, readjust, and execute hedges in an efficient and timely manner. An imperfect correlation may prevent us from achieving the intended hedge, and failure to hedge or an imperfect hedge may expose our clients to risk of loss. Our firm may not establish a hedge of a position for various reasons, including because it did not anticipate a particular risk or because it concluded that the cost of the hedge was too great when considered against the likelihood of the risk being realized.

e) Limited Liquidity of Investments. Financial instruments, including the securities, loans and other assets in which we advise our clients to invest, may be or become relatively illiquid or may cease to be traded after a client invests therein. There is no secondary market for the trading of the debt instruments that we advise our clients to invest in, and none is expected to develop. This means that we would likely be unable to sell the debt instruments held by our clients if the need should arise. Any securities, loans or other assets held by our clients that do not have a secondary market or which may be thinly-traded may make the sale or liquidation of such securities at desired prices, in desired quantities, or with desired speed difficult or impossible and unlikely to provide current liquidity. No assurance can be made that liquidity will exist at the time of investment or, if it exists, will be maintained for the duration of the investment. Loans, debt instruments and other assets are not expected to have any liquidity for the duration of the investment.

f) Future Regulatory Developments. Legal, tax and regulatory developments that would adversely affect our clients or our clients' feeder funds could occur during the life of our clients. The regulatory environment in which our clients operate is evolving, and changes in the regulation of private investment funds and their investment and trading activities may adversely affect the ability of our clients to pursue their investment strategies. In recent years, there has been an increase in governmental, as well as self-regulatory, scrutiny of the alternative investment industry in general. It is impossible to predict what regulatory changes, if any, may occur.

g) Changes in Regulatory Interpretation. The SEC or its' equivalent non-U.S. regulator is charged with interpreting the federal securities laws that govern certain of the investments made by our clients. The SEC or its' equivalent non-U.S. regulator may issue rule interpretations that affect the manner in which we advise our clients' to structure their investments. These rule interpretations may differ from the manner in which the rules were interpreted at the time we initially advised our clients to enter into a particular investment. In addition, the SEC or its' equivalent non-U.S. regulator may apply existing interpretations of statutes or rules in ways that differ from the manner in which they were applied in the past, and such new interpretations could have negative implications for the kinds of investments a client has made in the past and/or may make in the future. There is a risk that the SEC or its' equivalent non-U.S. regulator could issue additional interpretations which could negatively impact the manner in which we structure our client's investments and/or our clients' ability to liquidate, or profit from existing investments in an issuer.

h) Leverage. We may advise our clients to, to the extent legally permissible, utilize leverage for the purposes of enhancing portfolio returns and hedging risk. The use of leverage poses a significant degree of risk and enhances the possibility of a significant loss in the value of our clients' investment portfolio. The interest expense and other costs incurred in connection with such borrowing may not be recovered by appreciation in the securities purchased or carried, and will be lost in the event of a decline in the market value of such securities. Gains realized with borrowed funds may cause a client's net asset value to increase at a faster rate than would be the case without borrowings. If, however, investment results fail to cover the cost of borrowings, a client's net asset value could also decrease faster than if there had been no borrowings.

The use of short-term margin borrowings subjects an investment portfolio to additional risks, including the possibility of a “margin call,” pursuant to which a client must either deposit additional funds with the broker or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden, precipitous drop in the value of a client’s assets, we might not be able to liquidate assets quickly enough to pay off its margin debt. This could result in the forced liquidation of assets of a client at substantially depressed prices. Such forced liquidation of assets might also occur during a period where there is an overall decline in the securities market which might reduce overall liquidity in such market and thus further accelerate a decline in the sales price of assets of one or more clients.

**Structural Risks of the Financing Structures We Advise Our Clients to Offer.**

a) Contractual Risks; Credit Risk. Many of the financing structures we advise our clients to enter into involve third parties. If a counterparty defaults on its contractual obligations our clients may be unable to liquidate their investments at appropriate prices or at all, or may experience substantial delays in doing so, and thus our clients may not be able to realize the anticipated profit or mitigate a loss with respect to such investments for a substantial period of time, if ever. In addition, if a counterparty defaults on its contractual obligations or becomes insolvent or the subject of insolvency proceedings while in the possession of our clients’ securities and other assets our clients may be unable to recover such assets or securities in a timely manner or at all. We attempt to evaluate the creditworthiness of all counterparties; however, no assurance can be given that such counterparties will not default on their obligations or become insolvent.

Generally, in the event of a counterparty default or insolvency, our clients will have legal remedies available to it which we will exercise on their behalf. However, exercising these legal remedies may involve delays and costs, including the costs of litigation, which could result in additional losses. If a counterparty is located outside of the U.S., local laws could complicate and delay our efforts to exercise legal remedies on our clients’ behalf. There can be no assurance that our attempts to exercise legal remedies on our clients’ behalf will be successful or that our clients will be able to recover their assets and securities in a timely manner, or at all, or that if recovered such assets and securities will not have significantly depreciated. Investors should assume that any counterparty default or insolvency would result in a loss to them, which could be material. In addition, counterparty default or insolvency could adversely affect the stability of our clients’ returns if the value assigned to such securities and assets differs from the value the client is ultimately able to realize.

b) Restricted Securities. Our ability to liquidate our clients’ investments and generate a return is highly dependent on our ability to effectively resell shares into public markets either pursuant to a valid resale registration statement or pursuant to an exemption from such registration. Some issuers are unwilling to enter into financing structures that require them to file a resale registration because of the costs to the issuer associated with such resale registration. As a result, some of the financing structures we advise our clients to enter into are structured to allow an issuer of publicly traded securities to deliver common stock to our clients that is not registered for resale. When our clients receive common stock pursuant to such structures, they are only able to publicly resell those securities pursuant to a resale registration exemption, if available. In the U.S., Rule 144 and Rule 144A of the Securities Act permit limited exemptions for the resale of unregistered publicly traded securities under specified conditions.

Many of these resale registration exemptions require securities to be held for a certain period of time or limit the amount of such securities that can be resold pursuant to the exemption at any one time. We attempt to advise our clients on how to mitigate the potential losses associated with these conditions; however, no assurance can be made that a valid resale registration exemption will be available at the time we, on behalf of our clients, might want to liquidate such securities to realize gains or avoid losses based on market conditions. An inability to liquidate securities in a timely fashion could result in additional

losses to our clients which they must be prepared to bear. In addition, the inability to liquidate such securities could adversely affect the stability of our clients' returns if the value assigned to such securities differs from the value the client is ultimately able to realize.

c) Purchase of Unregistered Securities. We may advise our clients to purchase securities that are not publicly traded if, in the short term, the issuer agrees to file a registration statement with the SEC or an equivalent non-U.S. regulator. In addition to the risk that the issuer will default on their contractual obligation to file such registration statement, there is no assurance the SEC or an equivalent non-U.S. regulator will declare the registration statement effective in a timely manner or at all. If the registration statement is not filed or declared effective we may be unable to liquidate such securities. If the registration statement is declared effective, at the time of effectiveness we may not be able to sell the securities at a desired price or in desired quantities, which could adversely affect our clients' profitability and the stability of their returns.

d) Smaller Market Capitalization Companies. Generally, we advise our clients to offer their financing structures to small to mid-cap companies with market capitalizations under \$500 million. Compared to larger companies, smaller market capitalization companies are subject to heightened regulatory scrutiny and often lack the management expertise, financial resources, product diversification and competitive strengths of larger companies which makes it more likely that their prospects and earnings will change. In addition, because these securities typically are traded in lower volumes, changes in their prospects and earnings can result in abrupt or erratic movements in their stock price. If the trading in a company is abrupt or erratic there can be no assurance that we will be able to liquidate our clients' holdings in desired quantities or in a manner that allows our clients to realize gains or avoid losses. Any constraints on our ability to liquidate our clients' holdings could adversely affect our clients' profitability and the stability of their returns.

e) No Control Over Portfolio Companies. From time to time our clients' may hold a substantial position in a particular portfolio company. Generally, regardless of the size of their holdings, we do not advise our clients to seek representation on the board of directors or exercise control over the management of a portfolio company. There can be no assurance that a portfolio company's existing management and board of directors will make decisions that are in our clients' best interest. In addition, in some circumstances, if we, on behalf of our clients, foreclose on a portfolio company or its assets or if the portfolio company's management or board of directors is unwilling to continue to serve the portfolio company we, on behalf of our clients, serve or find a suitable third party to fulfill the portfolio company's management needs. When acting as management or a director of a portfolio company, the fiduciary duty of anyone we, on behalf of our clients, select to serve as management or a director of a portfolio company will be to the portfolio company and not our clients and there can be no assurance that they will make decisions that are in our clients' best interest. Our clients will indemnify us or such third party for claims brought against us or such third party in connection with service as management or a director of a portfolio company.

#### **Operational Risks Associated with an Investment in a Feeder Fund.**

a) Competitive/Market Risks. The business of identifying and structuring certain transactions of the nature contemplated by our firm is competitive, is becoming increasingly so and involves a high degree of uncertainty which may limit the ability to generate a profit if issuers are reluctant to enter into arrangements with our clients. There can be no assurance that we on behalf of our clients will be able to identify sufficient attractive investment opportunities, complete investments or be able to invest the entire amount of the funds held by our clients. In addition, competition may limit our ability to take advantage of investment opportunities in rapidly changing markets or to access investment opportunities believed to be attractive.

b) Legacy Risks. New investors will realize any returns and losses from all investments and/or contingent liabilities that each feeder fund has made prior to such new investors

investment.

c) Administrative costs. Administrative cost of our clients' transactions are high. While most of the direct transactions costs, such as outside legal costs, are reimbursed by the issuer, they will not always be fully reimbursed. Unreimbursed administrative costs are borne by our clients.

d) Litigation. Litigation can and does occur in the ordinary course of the management of our clients assets. Any client may be engaged in litigation as plaintiff or defendant. Such litigation can arise as a result of issuer defaults, issuer bankruptcies or other reasons. In certain cases, issuers may bring claims or counterclaims against our clients, our firm and/or the principals of these entities alleging securities laws and other typical issuer claims and counterclaims seeking significant damages. Our firm along with its principals and affiliates are indemnified by our clients. The expense of defending against third party claims made against our clients or persons indemnified by our clients and paying any amounts pursuant to settlements or judgments generally would be borne by our clients.

e) Similar Funds. Our firm manages assets of more than one client that share substantially similar investment strategies and objectives to one another. Our firm may organize and/or manage other pooled investment vehicles in the future. Such new clients may offer investors benefits that existing investors will not receive in relation to their investments, such as increased liquidity, heightened transparency with respect to portfolio composition or other matters, the right to impose investment restrictions or guidelines, heightened reporting and reduced advisory fees and incentive allocations or fees. Our firm is not required to notify existing investors of the terms applicable to investors in new feeder funds, and such increased liquidity and/or heightened transparency may have an adverse effect on one or more clients or the investors of a feeder fund.

f) Co-Investment Risks. Our firm has various business dealings and relationships with institutional and high-net-worth individuals and we in our sole and absolute discretion may permit such investors to co-invest with our other clients in certain investments opportunities. Allowing such co-investors to participate in these opportunities, limits a client's ability to participate in such opportunities. Our firm may offer these co-investment opportunities to co-investors rather than making larger investments on behalf of our clients.

In addition, a client often may co-invest in a transaction with another of our clients, by participating in a private investment vehicle. Assets of each co-investing client may become exposed to the risk of claims involving one or more other co-investing client. For example, a third party to a transaction may require the co-investing clients to agree to joint and several liability, or certain types of trades may be pooled together in a common private investment vehicle without segregation of liabilities arising from different trades even though not all participating clients participate in all trades entered into by the private investment vehicle. We intend to mitigate such risks as we deem appropriate from time to time, such as through cross-indemnification arrangements among our clients, but there can be no guarantee that such risks can be mitigated in full.

g) Allocation of Investments. A client may and often does co-invest with one or more of our other clients. Generally, such investments are made through a private investment vehicle and are in accordance with the firm's allocation policy to the participating clients and/or co-investors. Assets of each co-investing client may become exposed to the risks of claims involving one or more other co-investing clients.

h) Valuation of Securities. We are responsible for valuing the securities and other investments comprising the assets held by our clients. This causes the potential for a conflict of interest due to the fact that a higher value assigned to such assets will result in greater advisory fees paid, and possibly in higher incentive allocations. We value each clients' portfolio in accordance with our valuation policy which, in general, requires us to follow U.S. generally accepted accounting principles (GAAP), and specifically the guidance provided by the Financial Accounting Standards Board No. 157, Fair Value

Measurements (FAS 157) which defines fair value as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date” and provides a framework for measuring fair value in GAAP. Many of the assets held by our clients do not have an established market or readily ascertainable market prices and will be valued in accordance with our valuation policy and the framework provided by FAS 157. In carrying out our valuation responsibilities, we may retain third party valuation consultants to assist in determining the fair value of certain assets. Valuation of the assets held by our clients, particularly the difficult to value assets, are not necessarily equivalent to the value that can be realized by our clients on the sale of those securities and other investments.

Due to the nature of our clients’ investment activities, their financial results may fluctuate from month to month and from period to period due to periodic changes in the valuation of assets before disposition. Accordingly, investors should understand that the results of a particular period will not necessarily be indicative of results of future periods.

i) *Increases in Assets under Management.* We have not presently agreed to limit the assets managed and new investment strategies that may be launched, and will continue to seek new investment capital, although, from time to time, the firm may close one or more of the feeder funds, or one or more classes of interests therein, to new investors based on market conditions and perceived opportunities. The greater the amount of assets under management by the firm, the more difficult it may be for the firm to invest profitably. There can be no assurance that appropriate investment opportunities will be available to accommodate future increases in assets under management, which may require the firm to modify its investment decisions because it cannot deploy all the assets in the manner it desires.

j) *Risks Regarding Distributions in-Kind.* Withdrawals or redemptions by investors in our clients’ feeder funds may be satisfied in cash or in-kind, or in a combination thereof, as determined by our firm in its sole and absolute discretion. In-kind distributions may be comprised of, among other things, interests in a special purpose vehicle or SPV holding actual investments, participations in an actual investment which will remain held by our clients, or participation notes, or similar derivative instruments, which provide a return with respect to certain assets of our clients. We have made in-kind distributions in connection with withdrawals or redemptions by investors. The value of distributions made in-kind in connection with a withdrawal or redemption may increase or decrease before they can be sold, and the investors will incur transaction costs in connection with such sale.

k) *Access to Information.* We, on behalf of our clients, will invest in a variety of securities and financial instruments, whether publicly traded or privately placed, primarily focusing on equity and debt securities. Our firm selects investments, in part, on the basis of information and data filed by issuers with various regulators or made directly available to us by the issuers or through sources other than the issuers. Although we evaluate all such information and data and may seek independent corroboration when we consider it is appropriate and reasonably available, we are not in a position to confirm the completeness, genuineness or accuracy of such information and data, and in some cases, complete and accurate information is not available because certain information may be considered proprietary or otherwise confidential. This lack of access to information may make it more difficult for investments to be evaluated and for the value of portfolio securities to be accurately determined. Furthermore, we may not always be able to reallocate our clients’ assets in response to market changes because information about our client’s investments may not be readily available at all times.

l) *Access to Nonpublic Information.* From time to time, our clients, through members of our firm or agents of our firm, may be represented on the board of directors or creditors’ committees, serve as observers of the board of directors of certain of the companies in which our client’s invest. In addition, we may have access to nonpublic information regarding issuers of securities that are investments or potential investments of our clients. Knowledge of this nonpublic information may impair the ability of our clients to purchase or sell the related investments as a result of applicable securities laws

or certain provision in nondisclosure agreements entered into in connection with obtaining such information. In addition, the receipt of such nonpublic information on behalf of one client may restrict the trading activity of another client.

m) Limited Regulatory Oversight. It is not anticipated that our clients or their feeder funds will register as an investment company under the 1940 Act. Accordingly, the protective provisions of the 1940 Act and the regulations promulgated thereunder are not applicable to our clients or our clients' feeder funds. In addition, it is not anticipated that the firm will register as a commodity pool operator under the Commodity Exchange Act, as amended.

### **Regulatory Risks**

a) Investments by Benefit Plans. Our firm intends that the assets held by our clients will not constitute "plan assets" for the purposes of the U.S. Employee Retirement Income Security Act of 1974, as amended (ERISA), and/or the Internal Revenue Code of 1986, as amended (the IRC). No assurance can be given that our clients' assets will never constitute "plan assets." If our clients' assets would be deemed to become "plan assets," our firm and other persons involved in providing investment advice to our clients would become fiduciaries of ERISA plans and investments by a client could constitute prohibited transactions under ERISA and the IRC. If this became the case, there would be adverse consequences on our clients and for the benefit plan investors (as defined by ERISA). Our firm intends to limit participation by benefit plan investors to less than 25% of each class. To ensure assets under management do not breach the 25% threshold, our firm may take certain measures, such as mandatory partial or full withdrawals by benefit plan investors, to decrease the ownership by the benefit plan investors.

b) Statutory Underwriter Risk. In the U.S., we structure some of our clients' investments such that their initial investment in securities of an issuer is pursuant to Regulation D of the Securities Act followed by the registration by the issuer of the resale of such securities. The resale registration statement is required so that we may easily liquidate these investments on behalf of our clients. However, Section 2(a)(11) of the Securities Act defines an "underwriter" as any person who has purchased securities from an issuer with a view towards distribution. Often, due to the number of shares being registered for resale in relation to the size of the issuer of the securities, our clients may be deemed to be engaged in a distribution of the securities and thus underwriters in the transaction. As a result, our clients' resale may be delayed or limited and our clients would be subject to the potentially enhanced liability exposure of an underwriter.

### **C. Material risks associated with the type of securities we primarily recommend to clients.**

#### **Contractual Risks**

Many of the instruments we advise our clients to invest in allow or require them to receive common stock of publicly traded companies either through such companies' use of equity lines of credit or our clients' conversion or exercise of derivative instruments including convertible debt instruments, warrants and other derivative securities. All of these investments are made pursuant to contracts with third parties, generally the issuer of the underlying common stock. Therefore, our clients must bear the risk that the issuer or other third party will fail to deliver, or be delayed in delivering, common stock to our clients. If such failure occurs after our client has paid the purchase price, exercise price, conversion price or other consideration for such common stock, there are no assurances that our clients would be able to recover such common stock or the funds delivered in consideration therefore in a timely manner or at all, that the costs of collection would not outweigh the amount lost or that at the time of recovery the value of the common stock would not have depreciated. In addition, if such failure occurs after our clients have sold such common stock in reliance on the issuer's or other third parties' delivery obligations our clients would have to purchase additional shares of common stock on the open market to satisfy their prior sales.



No assurance can be given that our clients will be able to purchase such additional shares of common stock without incurring losses or that our clients will be able to recover such losses from the issuers.

In addition to the contractual risk of non-delivery, depending on the country and exchange on which the common stock trades, the issuer may have a contractual obligation to register the underlying common stock with the SEC or applicable non U.S. regulator or exchange, as applicable. Our clients' ability to convert or exercise the derivative security or resell the underlying common stock may be substantially delayed if the issuer fails or refuses to register such common stock with the SEC or its equivalent non U.S. regulator or exchange. Our clients also bear the risk that even if a registration statement is filed, the SEC or its equivalent non U.S. regulator or exchange does not declare such registration statement effective and an exemption from registration is not available, which, in addition to limiting our clients' ability to convert or exercise the derivative security and resell the underlying common stock, could limit an issuer's ability to utilize an equity line of credit.

### **Credit Risk**

When investing in debt instruments, our clients bear the risk that the issuer will be unable or unwilling to make payments when due. The debt instruments in which we advise our clients to invest are usually not rated by an accredited rating agency such as S&P or Moody's and involve significant credit risk. Therefore, to the extent that any issuers default upon their obligations, the rate of return on investment realized by our clients will be adversely affected. Typically, the debt instruments in which we advise our clients to invest are unsecured and with non-U.S. issuers. This may severely limit our clients' ability to recover the amounts invested in the event of default.

In some cases the debt instruments that we advise our clients to enter into are secured. However, there can be no assurances that the value of the relevant collateral or security will be adequate to ensure full repayment of the amounts owed and if the collateral or security is located in non-U.S. jurisdictions, the costs of collection may outweigh the value of the collateral or the relevant security may be difficult to liquidate. In addition, if the issuer declares bankruptcy in the U.S. or an equivalent mechanism in a non-U.S. country, such declaration may delay or limit our ability to collect our collateral or security.

### **Regulatory Risks**

The SEC and, in some cases, the foreign equivalent, consider our clients to be underwriters in connection with equity lines of credit. As a result, in equity line transactions in which they are considered an underwriter our clients bear the potentially enhanced liability exposure of an underwriter and could be held jointly and severally liable with the issuer for any misstatements or omissions of material facts in a prospectus or oral communication delivered or made in connection with the offer or sale of such securities to third party purchasers. Our clients bear the risks of such increased liabilities.

## **Item 9. Disciplinary Information**

### **A. Notification from the Division of Enforcement (the "Division") of the SEC**

As previously disclosed to our Clients and the underlying investors of the Clients, on April 2, 2012, the Firm and certain of its principals and officers received notification from the Division of Enforcement (the "Division") of the SEC that it is considering recommending to the SEC that it authorize the Division to initiate an action against the Firm and the named individuals.

The alleged violations asserted by the Division are Sections 17(a) and 20(a) of the Securities Act of 1933, (the "Exchange Act"), Section 10(b) of the Securities Exchange Act of 1934 (the "Securities Act") and Rule 10b-5 thereunder, and Sections 203(e)(6), 206(1), 206(2) and 206(4) of the Investment Advisers Act of 1940 (the "Advisors Act") and Rule 206(4)-8 thereunder.

It is our understanding that the alleged violations relate primarily to matters around the valuation of certain positions in the portfolio of YA Global Investments, L.P. Therefore the alleged violations only

relate to our management of YA Global Investments, L.P.

The notification received does not constitute a determination that either the Firm or the named individuals have violated any law.

It is not possible at this time to predict (i) whether the Division will proceed with recommending that the SEC authorize the Division to initiate an action; (ii) whether the SEC would accept any such recommendation by the Division authorizing the initiation of an action; (iii) whether the Division would in fact initiate any such action in the event it receives such authorization; or (iv) the outcome of an action should the Division receive authorization and proceed with an action against the Firm and the named individuals.

We are cooperating in good faith with the Division and does not believe there is a basis for a recommendation to the SEC to authorize the initiation of any action.

Should there be an adverse outcome of this matter for either the Firm or the named individuals it is possible that such adverse outcome could have a material adverse affect on the Client's we advise.

## **B. CONSOB Ruling**

On February 24, 2012, The Firm and Mark Angelo as the Founder and President of the Firm, and the Investment Manager to YA Global Investments, L.P. were found jointly liable and fined a total of €120,000 (Euros) for the (i) breach of the obligation to launch a public tender offer in three different instances (pursuant to Art. 106, Par. 1 and Art. 109, Par 1 of Consolidated Law of Finance of the Commissione Nazionale Per le Societa' E La Brosa ("CONSOB")) and (ii) the breach of the ban to vote in the shareholders' meeting since the public tender offer had not been launched prior to the shareholders' meeting (pursuant to Art. 110, Art. 1 of the consolidated law of Finance of CONSOB). The fine was paid on May 10, 2012. Mr. Angelo along with the Firm have filed an appeal with the regional administrative tribunal of Lazio and are currently waiting for a hearing date which shall be fixed by the tribunal.

## **Item 10. Other Financial Industry Activities and Affiliations**

### **A. Is the Advisor or any of its management personal registered or have an application pending as a broker-dealer or registered representative of a broker-dealer?**

Our firm is not registered and does not have an application pending to be registered as a broker-dealer or registered representative of a broker-dealer. None of our firm's partners or employees are registered or have an application pending to be registered as a broker-dealer or registered representative of a broker-dealer.

### **B. Is the Advisor or any of its management personal registered or have an application pending as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities?**

Our firm is not currently registered and does not have an application pending to be registered as a futures commission merchant, commodity pool operator or commodity trading advisor. None of our firm's partners or employees are registered or have an application pending to be registered as a futures commission merchant, commodity pool operator or commodity trading advisor.

### **C. Describe the relationship with any related person.**

Our firm serves as an advisor to its clients. Yorkville Advisors GP, LLC (YAGP) is under common control with our firm and acts as the general partner to certain private investment partnerships. As the general partner, YAGP receives performance-based fees from some of our clients' feeder funds. See *Item 6* of this Brochure for a further discussion of performance-based fees. In addition, the firm has two non-U.S. based affiliated entities, Yorkville Advisors UK LLP and Yorkville Advisors HK Limited, which provide advisory services to the firm.

**D. Does the Advisor recommend or select investment advisors for your clients?**

Our firm does not recommend or select any investment advisors for our clients.

**Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

**A. Describe the Advisor's Code of Ethics**

We have adopted a Code of Ethics (the Code) pursuant to Rule 204A-1 of the Investment Advisors Act of 1940, for all persons of the firm, which describes the high standard of business conduct and fiduciary duty we strive to adhere to. We will provide the Code to any actual or prospective client upon request.

The Code explains our firm's duties, responsibilities and obligations to the investors whose investments we manage, the public, and our employees. The Code also explains how our firm deals with personal securities transactions for the purpose of establishing reporting requirements, pre-authorization and disclosure requirements and enforcement procedures with respect to such transactions and general prohibitions on transactions in securities in certain circumstances. Employees must report every account that they or their immediate family members use for trading securities covered by the policy and if they directly or indirectly influence or control trading in the account. Prior to each transaction they must pre-clear covered securities transactions and have copies of periodic account statements sent by their broker-dealer to our chief compliance officer. Our firm takes steps to prevent employees and their immediate family and household members from trading for their personal accounts in securities that appear on our restricted and confidential watch lists and any portfolio companies held by our clients. These restrictions are to prevent employees from engaging in "front-running" of our clients' investment opportunities or the portfolio companies.

The Code also addresses the fiduciary duties of our firm's employees, including confidentiality obligations, restrictions of outside business activities, the act of receiving and giving gifts, and political activities and contributions.

**B. Does the Advisor or any related person make recommendations to clients to buy or sell securities in which the Advisor or any related person has a material financial interest in?**

Neither our firm nor any of its related persons buy or sell securities from or to any client. We do not affect securities transactions for compensation as a broker or agent for any client. In addition, we do not recommend any securities or investment products to a client in which our firm has a material financial interest.

**C. Does the Advisor or any related person invest in the same securities that the Advisors or any related person recommends to clients?**

With respect to investments which we may recommend to our clients, neither our firm nor any of our affiliates may purchase or sell securities for its, his or her own account without the prior approval of our firm's chief compliance officer. More than one client may and often does invest in the same securities. Our firm does not affect securities transactions for compensation as a broker or agent for any client. In addition, we do not recommend any securities or investment products to a client in which our firm has a material financial interest.

**D. Does the Advisor or any related person make recommendations, to buy or sell securities, to clients, at or about the same time that the Advisor or related person buys or sells the same securities?**

As previously stated, without the prior approval of our firm's chief compliance officer neither our firm nor any of its affiliates may purchase or sell in its own account securities which it recommends to a client. If our firm or one of its affiliates is trading on the same day as a client, each party will receive the

same average price for that days' trading activity. Prior to any transaction in a security in which a client has an interest, it is determined the portion of the transactions and the amount that is allocated to each party involved in the transaction. The allocation may vary depending upon different objectives, methodologies, investment strategies and restrictions applicable to a client, as well as the cash availability.

## **Item 12. Brokerage Practices**

### **A. Selection of Broker-Dealers by the Advisor**

Our firm has discretionary authority to make all of the decisions pertaining to the purchase or sale of securities for our clients. The primary goal in placing an order with a particular broker-dealer for execution is to obtain the best execution taking into account a number of factors, and not merely the best price available. To obtain best execution, our firm may combine orders from various clients for execution together as a batch or block trade. Each client that participates in the order will receive an average price for all executes that occurred over the duration of the order. This is done to obtain favorable executions, including access to lower commissions and better pricing on orders. Prior to the placement of the order, our firm will determine the allocation of each client. This will be done in a manner designed not to systematically favor or disfavor any client.

Our firm may also select certain broker-dealers based on the broker-dealers' ability to provide special execution capabilities, clearance, settlement, custody or other services including communications and data processing and other similar services. We do not receive any soft dollar credits from any of the broker-dealers that it executes orders through.

We may select certain broker-dealers based on the broker-dealers' ability to direct investment opportunities to us, in which a client enters into a financial transaction. This may create a potential conflict of interest between our fiduciary duty to operate in the best interest of one or more clients and the desire to receive the continued investment opportunities. As a result of receiving such services, we have an incentive to use, and to continue to use, such broker-dealer to effect transactions for the account over which we exercise trading authority so long as the broker-dealer continues to provide such investment opportunities to us.

### **B. Brokerage for Client Referrals**

Neither our firm nor any related person receives client referrals from any broker-dealer or third party. However, subject to best execution, our firm may consider, among other things, capital introduction and marketing assistance with respect to investors in one or more of the feeder funds in selecting or recommending broker-dealers for our clients.

### **C. Directed Brokerage**

Our firm does not engage in any directed brokerage.

## **Item 13. Review of Accounts**

Our clients' accounts are reviewed periodically by our firm's chief financial officer and chief compliance officer. The chief compliance officer also reviews and tests our client's brokerage accounts regularly to ensure the trading activity is consistent with the client's investment strategy and complies with our firm's policies pertaining to trading.

Each investor in a clients' feeder fund will receive a monthly statement. In addition, we provide quarterly written updates to those investors. Finally, investors in a clients' feeder fund will receive audited financial statements within 120 days of the end of each fiscal year. Such statements are prepared in accordance with U.S. GAAP.

#### **Item 14. Client Referrals and Other Compensation**

Our firm does not receive, and therefore does not compensate anyone in connection with, investment advice and other advisory services from non affiliated third parties to our clients.

Our firm, directly or on behalf of one or more clients, may pay compensation to third parties for non-advisory services. Such services may consist of referrals for the introduction to prospective portfolio companies or investors in a clients' feeder fund. Fees may consist of placement fees, certain expenses, and servicing fees. The fees paid may be based on a percentage of the assets initially invested, or remaining invested over time, from the investor, or based upon fees received by portfolio companies.

More detailed information is set forth in the offering memoranda.

#### **Item 15. Custody**

Qualified custodians maintain the physical custody of our clients' cash and publicly traded securities. We maintain the physical custody of any instruments, including warrants, debentures and notes that are negotiated directly between our client and an issuer as well as any securities that are not publicly traded. In addition, because our firm deducts fees directly from our clients' assets we may be deemed to have custody of all of our clients' assets. The manner in which we deduct fees is discussed in *Item 5.B* of this Brochure. Each qualified custodian sends us periodic bank and brokerage statements for each account such maintained by a client with the qualified custodian. Investors in our clients' feeder funds receive account statements on a monthly basis from the administrator of our clients' feeder funds. Investors in our clients' feeder funds will receive annual audited financial statements within 120 days of the end of each fiscal year end.

#### **Item 16. Investment Discretion**

Our firm exercises investment discretion over all client accounts it manages. This authority is established through each clients' organizational documents, the subscription agreements completed by each investor in a clients' feeder fund and an Investment Management Agreement between each client and our firm.

#### **Item 17. Voting Client Securities**

We have adopted proxy voting policies and procedures in connection with the exercise of voting rights on behalf of our clients. Our firm's portfolio manager, with the assistance of our chief compliance officer, reviews each item up for vote and votes in accordance with the best interests of our clients. Such voting is typically in accordance with the recommendations made by a portfolio company's board of directors.

Our firm has procedures to identify conflicts that may arise in voting. In the event of a conflict, we will either: (i) abstain from voting; (ii) retain a disinterested third party to advise on the vote; or (iii) take such other actions, as may be appropriate in the particular context. Clients may obtain a copy of our proxy voting policies and procedures and voting records upon request by contacting us at the address indicated on the cover page of this Brochure.

#### **Item 18. Financial Information**

Our firm is not required to include a balance sheet for its most recent fiscal year, is not aware of any financial condition reasonably likely to impair its ability to meet contractual commitments to clients and has not been the subject of a bankruptcy petition at any time during the past ten years.

#### **Item 19. Requirements of State-Registered Advisers**

This section is not applicable to us.

